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Soft Governments and Hard Facts

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May 31, 1973Mr. Richard H. Nolte
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Dear Mr. Nolte,

We are surrounded by institutions: our entire lives are embedded in them. By this I of course do not mean buildings with walls, but rather people around us behaving in predictable ways, and the pressure on us to behave in equally predictable ways. We are well on our way to understanding the physical forces acting on us. Just because they are tangible they hold little mystery for the ordinary man. We know it takes mortar to cement bricks, and we can calculate how much and what proportions to make a factory. We know the biological process of hunger, and how it drives people to work, or how malnutrition impairs working ability.

Social institutions have no less real an impact on people, but their intangible nature makes them mysteries to most people. In my newsletters I want to marry up some of the insights of the technical literature with some observations of my own here in Southeast Asia, in order to make institutions a little more understandable to us all. Among other things I shall look at what institutions are, how they emerge, what holds them together, how they change, and who benefits by them.

I believe this is vitally important for two reasons. One is that social institution is simply the name we give to systematic behavior of numbers of people, from small (the family) to large (a whole society). Thus when I say it is vitally important to understand institutions, I mean this as shorthand for collective behavior, from the viewpoint of coordination and predictability. With more people every minute using the world's limited resources, coordination and predictability are increasingly important. A second reason is that much of the discussion of induced change (e.g. economic development) unjustifiably ignores the institutional context in which change is supposed to take place. There's more than one way to skin a cat, as they say, and that is good advice here. Let's look carefully at how institutions work, and can be changed, before devoting a lot of physical resources that some say are necessary to accomplish changes we all may agree are necessary.

The approach I plan to use, at least for some of the newsletters, is to examine specific institutions which have some intrinsic importance and also offer us the prospect of some general lessons. In this newsletter I shall make some general observations on an institution of paramount importance: government. In future newsletters I plan to look at agricultural institutions, business, and universities. Each of these is important to understanding what is happening to the most inclusive institution of all -- the society. And as you know, what is happening to Southeast Asian societies is what I hope ultimately to get at. The journey is a long one, but it begins with a first step.

At least in principle the institution that is responsible for regulating other social institutions, and making them work more effectively, is the institution of government. Here I'd like to give some of my initial thoughts on the difficulties faced by governments in Southeast Asia in dealing with the problems of induced social change. Let me take as my point of departure some observations of Gunnar Myrdal in Asian Drama:

The national community is also characterized by a number of institutional conditions unfavorable for economic development: notably a land tenure system detrimental to agricultural advance; undeveloped institutions for enterprise, employment, trade, and credit; deficiencies in national consolidation; imperfections in the authority of government agencies; instability and low effectiveness in national politics; low standards of efficiency and integrity in public administration; ineffective organs for provincial and local self-government; and a weak infrastructure of voluntary organizations -- the institutional conditions which together constitute these national communities as "soft states" in our terminology. At the root of all these institutional debilities is a low degree of popular participation and a rigid, inequalitarian social stratification(p. 1863).

"Soft states" thus are hampered, as Myrdal notes, in bringing about the measures that would stimulate economic development -- although, of course, just what those measures ought to be is hotly debated. Nevertheless, whatever kinds of measures one thinks should be pursued can't be pursued very effectively by "soft states." The problem is a much larger one, though, than just economic development: it extends to any kind of measure to alter behavior, for example policies to increase social justice, to expand literacy and education, to spur birth control, to bring about a redirection of consumption habits to improve nutrition -- the list is endless. Improving the effectiveness of the regulating agency itself is thus some kind of key to the puzzle of moving a whole society in desirable directions.

We should recognize right now, though, that we are talking about power, and power is a two-edged sword -- it can be used for good or bad. That is perhaps too poetic -- in real life it is not good or bad, but "for whose benefit." Thus I think it important, whenever we talk about increasing the power of institutions like government, always to keep in mind the distributive problem -- who is going to benefit by this increased power in reality, not just in public rhetoric. There are certainly some efforts being carried on now to increase the power of selected Southeast Asian governments, without the parallel concern for whose interests are being served by this effort. I plan to speak more to the issue of how to make institutions accountable and responsive once we endow them with a greater capability to do anything at all. To do otherwise is irresponsible.

Is greater effectiveness just a matter of greater coercion? Many people seem to believe so. To pick one suggestive example, from Myrdal himself:

The real and very serious dilemma covered up by this verbal fuzziness about the ideal of voluntariness is that there is little hope in South Asia for rapid development without greater social discipline. To begin with, in the absence of more discipline -- which will not appear without regulations backed by compulsion -- all measures for rural uplift will be largely inef-

fective. In principle, discipline can be effected within the framework of whatever degree of political democracy a country can achieve; in the end nothing is more dangerous for democracy than lack of discipline. But the political and social conditions in these countries block the enactment of regulations that impose greater obligations; even when laws are enacted they cannot be easily enforced(p. 895).

What I want to suggest here, on the basis of my past observations in this part of the world, is that the easy answer of compulsion is not the right one in fact, and to the extent it works at all, it is degrading to the people involved as well as working contrary to the goal of distributive justice. Giving governments more tools of coercion is just not the solution.

I can say this because there is another solution, apparent at least to me. There are ways to motivate people to want to cooperate, that is, using "positive incentives" rather than "negative incentives." This is the way to expand the "framework of democracy" that Myrdal thinks may be possible, so as to reduce the scope of coercion, that is, to reduce the number of people who would even want to resist or ignore efforts in their own benefit.

The type of approach I am suggesting as possible is in a sense easier and in another sense more difficult than current thinking about reforming "soft governments." It is easier because it does not require the expenditure of a lot of physical resources for training courses, buildings, salaries, expensive foreign advisors, etc. It is easier also because it takes the mystery out of why some governmental institutions are so ineffective. It is more difficult in that it deals with a kind of "currency" that Westerners accustomed to dealing with monetized economies have little experience with; and also in that it deals with some of the most intractable social and political problems -- that is, who is going to benefit by the current social arrangements, who will compose the government at various levels, and what kind of psychic rewards they will receive.

Let us look at a couple of typical developmental problems from the current perspective and see what the bottlenecks are. First, take the case of a government trying to bring about the adoption of new seed varieties among farmers. It wants to use agricultural extension agents and the framework of existing cooperatives. Assume that credit is available, and the technology proven. In a country like Thailand (and I think more generally this is true), the effort will not be very successful by this means. Innovation will follow an "S-curve" with the richest people adopting first. The process may never even get beyond the bend in the "S," i.e. the people who most need the innovation to improve their incomes may never come to adopt it. Here are some reasons why this happens. For one, the better off are not going to rely on the ag extension agent -- they get their information by reading about the innovations, by relying on seed dealers in cities, etc. They also have the independent capital to put into the effort, enough land, and a surplus for survival in case of a flop(though we assume the technology is proven). These people, then, are relying for their information on the market structure and the things that come with it. For capital and for risk protection they rely on their own resources. They innovate, make profits, and further consolidate their own economic (and ultimately political) position.

The government effort is intended to provide a parallel, but different, structure,

for the less well off, particularly the farmer who is not yet in the market, or in it but little. The personal contact between the extension agent and the farmer is intended to replace the market as a source of information. The cooperative is intended to replace the rich farmer's access to capital. It also might provide some management inputs and some risk insurance.

This alternate government-sponsored structure is relatively less effective than the market structure for several reasons. The government institutions themselves -- the agricultural extension service, the cooperatives -- are subject to all the debilities that Myrdal mentions as characteristic of soft governments: lack of bureaucratic accountability, failure to carry out orders, tardiness, failure to provide information to higher echelons, occasional financial improprieties, etc. A second difficulty is that the local cooperatives themselves (as opposed to the governmental superstructure) are endowed with few powers and don't function to the required level of effectiveness. A third and entirely different problem is that extension agents, as government officials, have difficulty in dealings with villagers (more on this below). Given this kind of institutional immobility, the solution currently chosen is to make half-hearted efforts to invigorate the institutions (without really knowing what is wrong) while relying principally on the market, with all the resulting distributive consequences contrary to public policy.

Let us look at a second developmental situation: rural unemployment and underemployment. For a variety of reasons, such as seasonality of single-crop rice-farming, there is an abundance of labor power available in the rural areas at various times. At the same time there are many capital projects which need labor to complete: roads, irrigation works, wells, etc. It would be desirable to utilize this labor. Compulsion? No. (This used to be done, with the corvée system, but that was abolished early in this century.) Cash payment? That would be a drain on the national budget; in addition, if it were done on a large scale, it might have an inflationary impact. From the conventional viewpoint, there is no good solution. (Have foreign donors bear the cost!)

Though this is framed in terms of two specific examples, the problems are more general. The kinds of institutional immobilities which hinder agricultural innovation hinder innovation in general; similarly the financial cost calculus applies across the board in trying to motivate large numbers of people. If we could break down the institutional blocks, or find a supplement to cash motivation, we could get economic or social change for less financial cost; or alternatively, we could get more change for given levels of capital investment.

Well, I believe there are answers to these problems, though they remain well hidden in arcane scholarly journals, or else are offered up in a polemical context which turns off the reader. To some these ideas may appear visionary, or impractical, or even "revolutionary." It is true that some revolutionary governments have adopted some of the measures I discuss here -- that is what revolutions are all about. I suspect that the revolutionaries got the ideas not from the arcane scholarly journals but from actually going out to talk to ordinary people. In any event, we are faced by unprecedented challenges in the last quarter of the twentieth century, and I believe it is our responsibility to look at something different to see what it tells us about ourselves.

Consider this scene in the United States. A high-ranking civil servant or military officer is walking down a corridor in a government office building. From the other direction a subordinate approaches. American courtesy dictates that the subordinate say "Good morning" or, in the military, "Good morning, sir," as he passes the superior.

What would the scene look like in Thailand? In the case of a military location, the subordinate, say a corporal or sergeant, would have to stop, stand at attention, and bow, as the superior drew near. The norms for a civilian environment are a little different but convey the same much greater difference in deference in the Thai as compared to the American context.

This little story has an important moral. Foreign advisors coming to Thailand may just be flattered and pleased by the far greater signs of respect they receive here. They should also realize that societies with this kind of deference behavior are ones prone to have poorly functioning public institutions.

Just why is not hard to understand once you think about it a bit. It is a well known fact in sociology that status differentiation impedes communication, and the greater the differentiation, the less communication. Two examples: Fill a room with strangers, say 50 people, who bear obvious status marks e.g. some wear ties and some don't; some speak with New England accents and some speak with regional accents from other parts of the country, etc. After 30 minutes look into the room to see what kinds of spontaneous groups have formed. Another example: as an employee, do you feel an inner resistance to walking in on your boss? On his boss? On the president of the company? As a student, did you feel an inner resistance against walking in to see a professor?

The answers are obvious in these cases, because we have all internalized the same norms. But from thinking about it you can realize that, since institutions require communication to function, social norms enforcing more stringent deference behavior are going to make bureaucratic institutions less effective. A slightly different aspect of the same thing: the reluctance to walk in on superiors who are perceived to be far higher in status accounts for the lesser display of initiative in such situations. Similarly the paperwork is not going to flow very well, things won't move too fast, and the boss won't be able to find out whether orders have been carried out.

The solution to this particular cause of organizational ineffectiveness (there are others) is to reduce status differences. In the West this happened gradually, autonomously, over a long period of time, more in some places (the U.S.) than in others (France, Spain). It can also be brought about more rapidly, by an act of will, to eliminate at least the external signs of exaggerated deference behavior. Examples: the West German army recently abolished one such deferential term of address to officers. Revolutionary governments, at the extreme, abolish all deferential terms of address (remember the French Revolution: everyone was "citizen"), as well as differences in dress.

One may respond, "But if the government is so weak as not to be able to enforce tax laws, how can it enforce such measures on social norms?" The answer is that "soft

governments" can still do some things. What they must do is to put their scarce resources where it counts, in the "leading sectors" as an economist might say. Status differentiation is one such leading sector to make public institutions work better.

Another cause of "soft governments" springs from their social composition. The civil service in Thailand cannot provide a living wage to its members at the middle ranks (it did when the salary scales were established decades ago, but inflation has eaten up the originally handsome salaries). For many people this is a problem. For others it is not, however, because they hold civil service jobs for their enormous prestige, not the money. That is, they wish to have prestigious jobs consistent with their social status outside. Hence second-grade civil servants earning \$85 a month drive to the office each day in their chauffeured Jaguars and Mercedes'. It should be plain that they have no particular incentive to excel in their jobs, since their jobs are status symbols, tokens of their high social rank, and not careers in the ordinary sense. Thus the rewards which could ordinarily be used to motivate proper performance of duty do not have the expected effect with such civil servants.

In the West the change long ago took place by which government bureaucracies became staffed by career servants, rather than by men of high status as an adjunct to their high social standing. Revolutionary movements and revolutionary bureaucracies handle this problem by forbidding entry, or at least making it more difficult, to members of the upper classes. While they justify this on equity grounds, a side benefit is that the individuals recruited, coming from lower classes, will be more highly motivated by an identical incentive. A government such as that of Thailand has obviously not chosen the revolutionary alternative, but neither has the society undergone the gradual changes on its own which would have the same effect.

Both of these processes result in low "power" within the government: inability of superiors to see that orders are carried out, and a general ineffectiveness and sluggishness. That is, strictly within the government hierarchy, it is difficult for the superiors to see that what the top says, the bottom does. But the same processes also hinder the spreading of the government's influence among the population itself, i.e. not only vertical diffusion, but horizontal as well.

The status differences interfere with contact between government and people. The latter prefer to avoid contact, both due to the signs of deference enforced on the contact, and due to the norm that the superior is supposed to initiate the contact. The Thai have a word for this: they call it chao nai, or the "lord and master" attitude. A typical example occurred two days ago when my wife Chumsri called the police to make an inquiry about an automobile registration. She did not identify herself as an official.

Chumsri: Good afternoon. May I please speak to Lieutenant Phongnop?

Policeman: (Gruffly) He's not here.

Chumsri: Will he be in later?

Policeman: Is that all you called to find out? What a nuisance! (Hangs up.)

Chum then called back immediately to find out who had said such a thing on the phone. He turned out to be a private. Such is the self-perceived position of even a low-ranking

"public servant" vis-a-vis the public.

A conversation the next day will illustrate another aspect of this same obsession with status. Realizing the futility of using the "polite citizen" approach in calling the police, Chum used the "high-ranking government official" approach. Note the different attitude at the other end.

Chumsri: (No "Good afternoon," no polite particles) Let me speak to Phongnop!

Policeman: I don't see him now, ma'am. Would you like me to look in his office?

Chumsri: Yes! Run!

Policeman: (Returns panting to telephone) He's not in now ma'am. Shall I have him call you back?

While the police are at an extreme in Thailand compared to other bureaucracies, there are still large status differences between officials and citizens, regardless of the bureaucracy involved. Thus it can be seen that from these extreme incidents how difficult contact is between officials and citizens in Thailand, compared to a bureaucracy in another country with less exaggerated differences. Not only do the people themselves avoid contact, so do the officials: it is "declassé" for a civil servant to associate on an equal basis with ordinary farmers, for an agricultural extension agent to get dirt under his fingernails, etc. Since the bureaucracies themselves don't work very well, and since the people are reluctant to make an approach due to the status problem, the result is stagnation, or at least less rapid accomplishment of programs than in a different type of institutional environment.

I might also note that petty corruption is also facilitated by these status differences, since they impede communication. With greater communication i.e. greater openness of higher officials, less reluctance of citizens to demand redress and public accountings, etc, the abuses of subordinates would be more frequently exposed and, in time, decline.

Who gets recruited into the government similarly limits the ability of the government to help, even when it wants to. Right now there is a fairly sharp demarcation between "the government" i.e. the officials who have civil service status, and hence power to make decisions, down to district level, and "the people" and their leaders at the village level, who carry out decisions made for them. To become a civil servant, and hence enter the arena of power, one must have a higher school certificate and pass an examination. Entry is very restricted, and as might be expected, there is a considerable overlap between social standing and entry into the civil service.

Experiments have shown that in this kind of situation, the power-holders can extend their influence by sharing their power with those below i.e. admitting more to the limited circle of power-holders. To return to the example of underemployment: Rather than approaching villagers as a thing apart, making demands, there are ways for the government to offer more decision-making power to local leaders who are listened to by villagers, so that these leaders, using their own influence, can motivate villagers to take part in public projects in free time. Similarly high-status officials can share some of their status with local leaders, and citizens, who cooperate

in efforts of public benefit. This need not be limited to digging a canal: it can be done with any type of behavior that the government wants to stimulate: adoption of new agricultural techniques, birth control measures, redirection of consumption or increased savings, etc.


What I am saying, then, is that there are other kinds of currency besides cash, and in trying to bring about desirable changes in behavior, we should use all the currencies at our disposal. It seems to me that too much of the modernization literature (perhaps under the influence of Western-educated economists) talks only about using cash payment, or else assumes that institutional rigidities are a "constant" which we just have to live with.

The benefits of using other kinds of currency -- power and status -- are plain to me. First, it saves scarce money. Second, the diffusion of power and reduction of status differences make the public institutions themselves work better. Third, the diffusion of power and reduction of status differences at the same time lead to greater social and political equality. Fourth, the lesser reliance on the market mechanism leads to greater economic equality than reliance on cash incentives. (We know from innumerable studies that "capitalist" development, i.e. reliance on the profit incentive, leads to greater economic inequality for several generations at least.)

Of course nothing is for free in this world. These kinds of institutional changes won't cost much cash. But they will cost elites some of their power and status, which are obviously two of the rewards they get from the kinds of "soft governments" we are talking about. The reason why these two currencies would be effective in inspiring greater cooperation with government is just because they are so monopolized at present. One reason for the small interest at present in these currencies may be that the elites are in charge of the development plans. It is easier to get a loan for \$100 million from the World Bank than to think about sharing some of one's own privileges. Well, maybe now. But as I suggested earlier, the challenges facing us now are unprecedented. There is just not enough investment capital to accomplish the tasks that face mankind in the decades ahead. Sooner or later we are going to have to look at other kinds of currency. Some countries already have, with surprising results.

I've been very general here, in order to get down the broad outlines of my thinking. In future newsletters I'll look at some of the more specific ways that institutions can be changed for the better.

Sincerely,



Jeffrey Race

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